

STOCKANALYSIS FLASH NOTE

Santos purchase of Quadrant Energy

Santos is paying ~A\$2,940 million for Quadrant Energy. If we assume that Quadrant has no net debt, this price equates closely with its enterprise value.

The company has an equity base of about \$1.4 billion, with Reserves of 1,320 PJe of gas (220 mmBOE) and last year, it produced 19 mmBOE or about 312 mmcufte per day of gas.

Valuing gas Reserves at A\$1.20/GJe or production at about \$30,000 per flowing barrel of oil equivalent per day, delivers a value for existing production assets of ~A\$1,500 million, leaving exploration interests in the Bedout Sub Basin with an implied purchase price of ~A\$1,500 million for Quadrant's 80% interest. **This value translates to an effective value of \$375 million for Carnarvon's 20% interest in the Roc and Dorado discoveries**, and for the sake of this calculation, after discounting any value for Phoenix/Phoenix South discoveries.

Under contingent payment terms agreed by Santos, if current estimated 2C Resources of 186 mmbbls of liquids are established, Santos would pay an extra \$346 million (US\$253 million) lifting its payment for Bedout interest to \$1,846 million. If the 3C estimate of 356 mmbbls is established as a Resource, then Santos would be up for an additional \$957 million (US\$700 million), bringing its Bedout Basin interest payment to \$2,457 million. **These contingent payments would thus lift the see-through value for Carnarvon's 20% in the JV to \$462 million or 39 cps and \$614 million or 52 respectively.**

Clearly Santos sees much more value in these assets than the price it is paying, so the price being paid by Santos should not set an ultimate ownership value for Carnarvon's interests, but it merely sets a base price, should Carnarvon consider selling these assets today.

Additionally, StockAnalysis assesses a value for Carnarvon's 100% held Buffalo oilfield redevelopment project of between \$243 and \$546 million. Exploration interests add a further risked value of \$132 million.

Applying the estimated price achieved by Quadrant as a marker sales price for Carnarvon's interests and after adding net cash and subtracting corporate overheads, total assessed value for CVN is lifted to between \$866 million and \$1,169 million.

These valuations compare favourably with the company's current market value of \$438 million, offering upside of 2 to 3 times the current market capitalisation.

Furthermore, StockAnalysis finds ownership value for the Roc and Dorado discoveries to be \$675 million, which is obviously why Santos has sought to buy these very valuable development assets.

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